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SENATE BILL 2134

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AN ACT to amend, Tennessee Code Annotated, Title 4, Chapter 31, relative to rural economic development and educational financial assistance.

WHEREAS, Tennessee's rural landscape and the residents who live, work and worship in these areas define the cultural qualities that make the state unique and appealing to the rest of the nation; and

WHEREAS, rural communities across the State of Tennessee have not experienced the economic prosperity enjoyed in more urban populated business centers of the state during this past decade of financial growth; and

WHEREAS, economic assistance and promotion from state and federal agencies is limited to those more densely populated areas of the state where services, transportation, worker base and educational opportunities are prolific; and

WHEREAS, rural communities historically depend heavily upon agricultural production and marketing to support business, financial institutions, employment and local government services; and

WHEREAS, the agricultural community has experienced extreme lows in farm income over the past four years due to export reductions, decreased market demand, foreign relations, decrease in tobacco quotas and weather conditions; and

WHEREAS, the potential exists for new farm product markets, agricultural processing and manufacturing, agricultural business and employment; and

WHEREAS, rural communities already have an infrastructure base to capitalize on new opportunities in production agriculture through available cropland area, agricultural education programs in high schools, community colleges and universities, agricultural supply businesses, farm lending organizations and the UT Extension Service located in each county; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 4, Chapter 31, is amended by adding the following new part to be designated as follows:

Section 4-31-1001. This part shall be known and may be cited as the "Rural Economic Development Assistance Act of 2002".

Section 4-31-1002. As used in this act, unless the context otherwise requires:

(1) "Authority" means the Tennessee local development authority created by Section 4-31-103;

(2) "Board" means the rural economic development assistance fund advisory board created by Section 4-31-1007 of this act;

(3) "Department" means the department of agriculture;

(4) "Fund" means the rural economic assistance fund created under Section 4-31-1003.

Section 4-31-1003.

(a) There is hereby created as an account within the state general fund a rural economic development assistance fund.

(b) The general assembly shall appropriate to this fund an amount equal to fifty percent (50%) of the funds received from the historic tobacco master settlement agreement entered into by Tennessee and certain other states, United States territories and possessions, and participating tobacco manufacturers, dated November 23, 1998.

(c) Expenditures from such fund shall only be made to implement and carry out the provisions of this act. Funds deposited in such fund shall not revert at the end of any fiscal year, and all interest accruing on investments and deposits of the funds not otherwise expended shall be returned to, and made part of, the fund.

Section 4-31-1004.

(a) The general assembly finds and declares that the decline in the agricultural economy resulting from decreases in tobacco quotas and depressed commodity prices in the general farm economy have resulted in the economic decline of many agriculturally-related businesses as well as agricultural and farming communities.

(b) It is, accordingly, in furtherance of the interests and welfare of all Tennesseans that the Tennessee local development authority (hereinafter "authority") be empowered to issue revenue bonds and notes and make proceeds available for purposes of establishing and fostering agricultural development and educational financial assistance programs and similar activities authorized by the board and secured by funds from the rural economic development assistance fund created under Section 4-31-1003.

(c) The authority is vested with all powers necessary to accomplish these purposes.

Section 4-31-1005.

In addition to any powers otherwise conferred by this chapter, the authority has the power to:

(1) Establish the investment policy for funds held in, and deposited in, the rural economic development assistance fund under which the state treasurer shall invest any such funds;

(2) Approve the operating structure for programs established under this part; adopt appropriate policies; promulgate rules and regulations consistent with Title 4, Chapter 5; and provide general program operation related to expenditures of funds appropriated by the general assembly to the fund, with assistance of the department of agriculture and consistent with this act;

(3) Enter into contractual agreements or authorize the department of agriculture to contract with other state agencies, higher education institutions and other third parties or entities to administer the agricultural development programs and educational financial assistance programs authorized in this act;

(4) Approve program requests for funding from the fund that are consistent with this act and are compiled and submitted by the department of agriculture.

Section 4-31-1006.

(a) The authority, with the assistance of the department of agriculture, shall award grants for two (2) distinct areas: agricultural development programs and educational financial assistance programs.

(b)

(1) The agricultural development program shall be funded to foster long-term development and growth in Tennessee's agricultural economy. Such programs may include, but are not limited to, herd improvement programs; international market development activities; small

farm initiatives; crop and product diversification efforts; loan programs to foster development of needed facilities and to pursue value-added opportunities; action related to domestic agribusiness development and recruitment, and to further identify undeveloped uses of tobacco; as well as other programs which meet the goal of fostering long-term agricultural development.

(2) Funds may be expended in the following categories:

(A) Alternative agricultural development programs to facilitate the establishment and expansion of agricultural enterprises that provide alternate investments to tobacco production;

(B) Agribusiness and industrial infrastructure programs to facilitate the establishment and growth of agricultural businesses that generate value added protection opportunities;

(C) Creation and expansion of agricultural processing facilities that improve efficiency and productivity of agricultural processing facilities;

(D) Agricultural marketing development to establish and expand opportunities for domestic and foreign marketing of agricultural products in Tennessee; and

(E) Agricultural production efficiency and effectiveness programs to improve agricultural production efficiency while assuring compliance with federal, state, and local regulatory requirements.

(3) Prior to implementation and funding of each of the proposed agricultural development program categories, the commissioner of

agriculture shall formulate evaluation components to set goals, measure results, and provide accountability for funds allocated to each program.

(c)

(1) Educational financial assistance programs funded under this part shall provide financial assistance to:

(A) Facilitate the pursuit of educational opportunities by persons who are directly or indirectly affected by changes in the agricultural economy; and to

(B) Facilitate the location of persons in rural communities and in under served communities whose skills are needed to improve the quality of life within those communities. Such programs may include, but are not limited to, educational financial assistance to persons in agricultural communities and educational financial assistance to persons providing services in rural communities and under served communities.

(2) Educational financial assistance programs authorized pursuant to this part shall include, but are not limited to, the following:

(A) In the area of educational financial assistance to persons in agricultural communities:

(i) Scholarship assistance shall be directed to persons directly or indirectly affected by changes in the agricultural economy;

(ii) Assistance shall be in the form of grants or loans;

(iii) Assistance should be available to persons seeking both academic education at a four-year or two-

year higher education institution or vocational training at a technology center; and

(B) In the area of educational financial assistance to persons providing services in rural communities and under served communities:

(i) Scholarship assistance should be provided to persons who agree to provide service in rural communities or under served communities (i.e., teachers, physicians, nurses, health practitioners or allied health professionals); and

(ii) Assistance shall be in the form of loans which are forgiven in return for services provided in rural communities or under served communities (modeled after the existing Teacher Scholars Program currently administered by the Tennessee Student Assistance Corporation).

(3) Prior to implementation and funding of each of the educational financial assistance program categories, the commissioner of agriculture shall formulate evaluation components to set goals, measure results, and provide accountability for funds allocated to each program.

Section 4-31-1007

(a) There is hereby established a rural economic development assistance fund advisory board (hereinafter the "board"). The board shall advise the commissioner of agriculture on issues related to the design, implementation and operation of agricultural development programs and educational financial

assistance programs funded by revenues held in, and deposited to, the rural economic development assistance fund.

(b) Membership on the board shall consist of:

(1) Three (3) senators, one from each grand division of the state appointed by the speaker of the senate to serve a two-year term which shall coincide with the speaker's term of office;

(2) Three (3) representatives, one from each grand division of the state, appointed by the speaker of the house of representatives to serve a two-year term which shall coincide with the speaker's term of office;

(3) Five (5) non-legislative members appointed by the governor. Of the five (5) members appointed by the governor, one member shall be appointed from a list of three (3) nominees submitted by each of the following organizations: Tennessee Bankers Association, Burley Stabilization Corporation, Tennessee Farm Bureau Federation, Tennessee Student Assistance Corporation, and the Tennessee Higher Education Commission. Gubernatorial appointees shall have a background or experience in agriculture or financial industry.

(c)

(1) The members shall serve without salary, but each member shall be entitled to reimbursement for such member's actual and necessary expenses incurred in the performance of such member's official duties.

(2) All reimbursements for travel expenses shall be in accordance with the provisions of the comprehensive travel regulations as promulgated by the department of finance and administration and approved by the attorney general and reporter.

Section 4-31-1008. The department of agriculture shall perform the following duties and responsibilities:

(a) Provide staff support for administrative purposes to the Tennessee local development authority;

(b) Recommend a design and structure for the agriculture development programs and educational financial assistance programs authorized by this part;

(c) Compile and submit proposals for implementation of agricultural development programs and educational financial assistance programs to the Tennessee local development authority;

(d) Upon approval by the Tennessee local development authority, implement the approved plans and programs;

(e) Contract, as authorized by the authority, with other state agencies, higher education institutions, and other third parties to administer the agricultural development programs and educational financial assistance programs authorized by this part; and

(f) Perform other functions necessary to the proper effectuation of this part.

Section 4-31-1009.

(a) The authority and the department of agriculture shall submit a joint annual report to the governor, the house agricultural committee and the senate commerce, labor and agriculture committee no later than January 2 of each year.

(b) The report shall include, but not be limited to, the following information:

(1) Funds appropriated by the legislature to the rural economic development assistance fund for the fiscal year;

(2) Program requests for funding that were approved by the Tennessee local development authority board for the fiscal year;

(3) Initial goals and final measurable results of programs that have received funding; and

(4) The estimated amount of funds that are available for expenditure from the fund for the upcoming fiscal year.

(c)

(1) An audit of the books and accounts of the authority shall be made at least once a year.

(2) Subject to the approval of the comptroller of the treasury, an independent certified public accountant may be employed to perform the audit and the cost thereof may be paid from available monies of the authority.

(3) The comptroller of the treasury may accept such annual audit, made by such independent certified public accountant, in lieu of any audit required to be made by the comptroller of the treasury under the provisions of Section 8-4-109.

(d) All audits performed by the internal audit staff of the authority shall be performed in accordance with the standards established by the comptroller of the treasury pursuant to Section 4-3-304(9).

Section 2. Tennessee Code Annotated, Section 4-31-103(c), is amended by deleting subdivision (c)(2) and by substituting the following:

(2) For purposes of administering the agricultural development act, pursuant to part 2 of this chapter, and the rural economic assistance act pursuant to part 10 of this chapter, the governor shall appoint two (2) individuals knowledgeable in agricultural enterprise to serve as voting members of the

authority. For all other purposes, such members shall serve as nonvoting advisors.

(3) For purposes of administering the rural economic development assistance act pursuant to part 10 of this chapter, the members appointed by the speaker of the senate and the speaker of the house of representatives under (c)(1) shall serve as nonvoting advisors on all proposed program requests funded under the rural economic assistance fund.

(4) The recommendations of such advisors attending any meeting of the authority shall be part of the minutes. Such advisors shall serve without compensation but shall be reimbursed in accordance with the provisions of the comprehensive travel regulations as promulgated by the department of finance and administration and approved by the attorney general and reporter.

Section 3. The monies specified for expenditure under this act are intended to be, and shall be, in addition to all funds that are being expended on the particular programs at the time this act takes effect. To that end, the comptroller of the treasury is directed to conduct a maintenance of effort audit to ensure that no funds are shifted knowingly or unknowingly so as to supplant or dilute in any form or fashion the letter or spirit of this act.

Section 4. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

Section 5. This act shall take effect upon becoming a law, the public welfare requiring it.